

WISCONSIN STATE
LEGISLATURE COMMITTEE
HEARING RECORDS

1995-96

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on
Veterans and
Military Affairs
(AC-VMA)

Sample:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **95hr_ab0706_AC-VMA_pt01**

➤ Miscellaneous ... Misc

➤

➤ Record of Comm. Proceedings ... RCP

➤ **



STATE OF WISCONSIN, DEPARTMENT OF VETERANS AFFAIRS
30 West Mifflin Street, P.O. Box 7843, Madison, WI 53707-7843

Memorandum/Correspondence

March 19, 1996

TO: Representative Musser

FROM: Charles Hoslet, Executive Assistant *CH*

RE: Cemetery Eligibility Language in AB 706 Needs to Pass

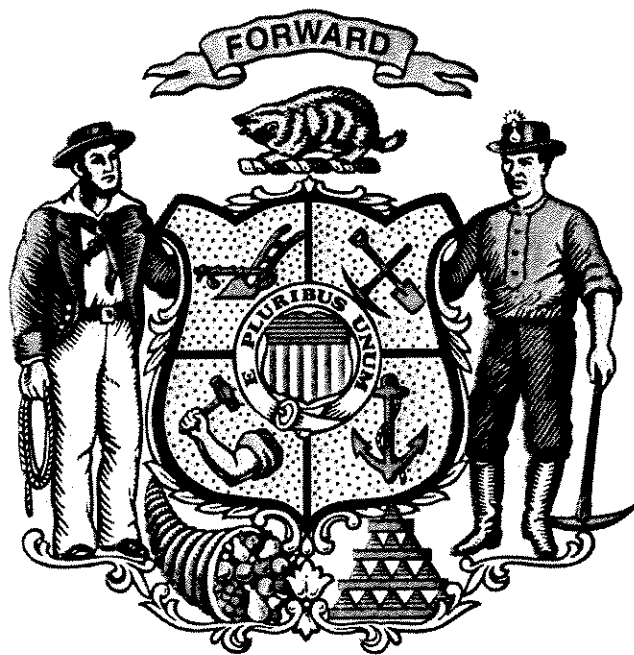
ISSUE

As we have discussed, the language in AB 706 related to eligibility for burial in a state veterans cemetery must pass the Legislature this session because it serves as the basis for an administrative rule we are in the process of promulgating. The rule sets the fee structure for burial in a state veterans cemetery and refers to the language in AB 706. If the language does not pass the Legislature, we will be unable to promulgate the rule and will likely have no fee structure in place when we begin interring veterans in September.

OPTIONS

1. Have AB 706 pass both houses of the Legislature in March. We could then continue with the normal rule-making process and have a rule in place by September 1.
2. Remove the cemetery language from AB 706 and include it in AB 935/SB 565. If final legislative approval of AB 706 is in question, it may be best to remove the language from AB 706 and amend it into the Government Operations Bill. This will ensure that the language will pass by the end of March and allow us to process the administrative rule in a timely manner. The specific language to be included in AB 935/SB 565 is in sections 17-22 and 24 of LRB 0539/2 (soon-to-be Sub. 2 to AB 706).
3. Have AB 706 pass both houses by May and authorize the department to use emergency administrative rule procedures. If the language in the bill does not pass until May, we will not have adequate time to get the administrative rule through the normal process prior to the expected cemetery opening. However, the Legislature could include language in the bill authorizing the department to proceed under the emergency rule-making procedures in ch. 227 of the statutes without having to make a finding of emergency. We have done this in the past to expedite the start of a program without having to wait the 6-9 months it usually takes to get an administrative rule approved. Given the statements of Senator Ellis that the Senate will not meet in May, this may not be the best way to proceed, however.

I hope this information is helpful. Please let me know if you have any questions.





Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 22, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Substitute Amendment __ (LRBs0539/2) to 1995 Assembly Bill 706:
Funding and Eligibility for State Veterans Programs

Assembly Bill 706 which makes various changes to state veterans programs was introduced on November 11, 1995. On December 19, the Assembly Committee on Veterans and Military Affairs recommended for passage Assembly Substitute Amendment 1 to Assembly Bill 706 on a vote of 8 to 0. At the direction of the Co-chairs of the Joint Committee on Finance, the following is a summary of Assembly Substitute Amendment __ (LRBs0539/2) to Assembly Bill 706.

SUMMARY OF SUBSTITUTE AMENDMENT

Acquisition of 1981 Revenue Bond Mortgages

The substitute amendment would create a sum sufficient appropriation from the segregated veterans trust fund to buy the outstanding balances of the approximately 13 remaining outstanding mortgages funded from a 1981 revenue bond issuance. The buy-out would be subject to approval of the Building Commission. Future payments on the mortgages would then be deposited to the veterans trust fund. By buying these mortgages, DVA would be relieved of the annual administrative fees and audit requirements of the issue. DVA officials indicate that such requirements currently deplete any profits on the remaining mortgages.

According to DVA, approximately \$379,000 in loans is still outstanding. To defease the bond issue, a total of \$200,000 would be required of which \$55,000 would come from the cash balance from the repayment of those loans and the remainder from the veterans trust fund. The outstanding loans would become an asset of the trust fund. DVA estimates that the loans would generate \$5,000 per month (\$60,000 annually) for the next 17 years. The veterans trust fund is

the source of funding for various state veterans programs including economic assistance loans, health care aid grants, subsistence aid grants, tuition and fee reimbursement, part-time study grants and retraining grants.

Veterans Mortgage Loans

Under current law, DVA provides mortgage loans to qualifying state veterans to purchase or construct a home. Loans are limited to two and one-half times the combined income of the veteran and spouse. Funding for primary mortgage loans derives from two different sources depending on when the veteran was discharged. Current practice is, for veterans released before July 1, 1975, (the statutorily established ending date for the Vietnam War for veterans trust fund programs) authorized lenders provide mortgage loans for eligible veterans using loan funds acquired by the state through the issuance of tax-exempt general obligation bonds. However, federal law prohibits the use of tax-exempt bonds to provide for loans to veterans discharged after 1977, or more than 30 years prior to the date of the loan application date. Veterans affected by these criteria are typically referred to as "disenfranchised veterans" for purposes of these loan programs. To provide funding for mortgage loans for these veterans, DVA has established a separate loan fund which receives revenues from: (1) interest earnings and repayments on loans made from the fund and (2) interest and repayments on 30-year mortgage loans to nondisenfranchised veterans which were funded from general obligation funds.

It should be noted that due to oversight, an ending date for the Vietnam War was never established in the statutes under eligibility criteria for veterans home loans. Therefore, until recently DVA used the ending date established for veterans trust fund programs (July 1, 1975). The substitute amendment would create a statutory ending date for the Vietnam War of January 1, 1997, for housing loan programs which would be consistent with the federal law ending date. This would allow veterans who were discharged between July 1, 1975, and January 1, 1977 to be eligible for mortgage loans funded from general obligation funds. DVA estimates that approximately 4,000 veterans would be made eligible. Based on current usage data, the number of primary mortgage loans for qualified veterans would increase by a little more than 16 loans annually with an average of \$89,150 for an increased cost of approximately \$1,438,000 annually in bonding revenue.

Bonding authority available for mortgage loans in 1996-97 is \$58.7 million. Under current law, DVA estimates that it will spend \$47.3 million of that total. Therefore, it could be expected that there would be remaining authority sufficient to satisfy the increase in demand under the substitute. Increasing the number of qualified loans would also result in additional payments of interest and repayments on those loans which would generate more funds for loans to disenfranchised veterans. Currently, funds for disenfranchised veterans are virtually depleted in the fall of each fiscal year (DVA indicates that this year funds were almost totally committed by October 17, 1995).

Further, the 4,000 veterans who would become "qualified" veterans under the substitute are currently "disenfranchised" veterans. Therefore, there would be a reduction in the number of

disenfranchised veterans. However, because of the limited funds available for these loans, there is an income limit on the combined income of the veteran and spouse of \$47,500 for disenfranchised veterans. Therefore, only about 2,400 (or 60%) of these veterans are currently eligible for the program because of their income levels. Further, since loans maximums are based on the veteran's and spouse's income, the average loan for disenfranchised veterans is lower (currently, \$64,400) than for qualified veterans. Using this data, demand for disenfranchised mortgage loans would decrease by \$125,800 annually. Since demand for mortgage loans from disenfranchised veterans annually exceeds funds available there would be no actual reduction in loans made.

Home Improvement Loans

The statutes presently provide that eligible veterans may borrow, from the home improvement loan program (HILP), up to \$15,000 (at a current interest rate of 6.55% and term of 15 years) for property alterations, repairs or improvements that substantially protect or improve the basic livability or energy efficiency of the property. Currently, loans cannot be used for: (1) construction of a deck, patio or fireplace; (2) fencing or landscaping; or (3) the purchase of home appliances. The maximum income for the veteran and his or her spouse is \$47,500 per year to be eligible for a home improvement loan. The substitute amendment would eliminate restrictions on the eligible uses for loan funds and delete any income limit for the program.

Applications for home improvement loans are received through county veterans service officers (CVSOs). Currently, if a veteran requests a loan for a purpose that is not allowed under current law, the CVSO would inform the veteran that he or she is not eligible. Consequently, DVA does not have data on the number of veterans who would apply for a loan if the restrictions on use of the loan were lifted. However, based on conversations with CVSOs, DVA officials have estimated that an additional seven loans per year at a cost of \$77,800 annually would be made if the use restrictions were eliminated.

Removal of the income limit would allow approximately 162,600 additional veterans to be eligible for home improvement loans annually. If one assumes that the average loan would increase if the income limit were eliminated (when the income limit was eliminated for qualified primary mortgage loans the average loan amount increased by 38.5%) the average loan for newly eligible veterans would likely be higher than the current average of \$11,100. Assuming an average loan of \$12,000 and the current use rate, approximately 79 additional loans would be made per year for an increased cost of \$949,200 annually.

Funding for home improvement loans is provided under the same appropriation as funding for disenfranchised loans. Funds allocated to the home improvement loan program total \$1,250,000 of the \$9,750,000 expected to be available in 1996-97. Typically, funding allocated for home improvement loans exceeds demand by \$100,000 to \$200,000. Any funds that go unspent are used to fund additional mortgage loans for disenfranchised veterans. Under the substitute, the increased demand for home improvement loans would be expected to exceed the

funds available for the program. In addition, there would not be an anticipated balance available for additional mortgage loans for disenfranchised veterans.

Active Duty for Training Purposes

Under current law, persons who served on active duty for training purposes only are not eligible for veterans trust fund programs regardless of whether or not their period of service falls into one of the war periods defined by state statutes. In addition, for veterans home loans, Vietnam era veterans who served on active duty for training purposes only are not eligible for loans. However, under the home loan program, any other wartime veterans are eligible for home loans regardless of whether their active duty service was for training only. The substitute amendment would eliminate eligibility for all home loan programs for veterans whose active duty service was for training purposes only.

DVA does not have information on the total number of veterans who would be affected by this provision. Based on conversations with CVSOs and loan processors, DVA estimates that this provision may result in reduced demand for disenfranchised primary mortgage loans by 30 to 40 loan per year or reduced costs of approximately \$2,252,600 annually. In addition, it is estimated that demand for home improvement loans would decrease by seven loans or approximately \$47,000 annually.

Character of Discharge

Currently, state statutes provide that in order to qualify as a veteran for the purpose of state veteran programs a person must have served under honorable conditions. However, state statutes also provide that veterans who are eligible for general federal DVA benefits are also eligible for veterans trust fund benefits, but not for any veterans home loan programs or membership at the Veterans King Home.

To be eligible for federal veterans benefits, a person needs to have a discharge under honorable conditions, a general discharge or a discharge that has been upgraded to general or honorable. The substitute amendment would create a uniform general definition of service under honorable conditions for all state veterans programs that would include those whose discharge from active duty service makes them eligible for federal veterans benefits.

DVA indicates that based on federal data, approximately 5,890 Wisconsin wartime veterans have had discharges classified as general, other than honorable, undesirable or bad conduct. Currently, about five percent of these are general discharges and an estimated fifty percent of the remaining 5,580 are upgraded upon further review. These veterans are already eligible for veterans trust fund programs.

The substitute amendment would extend eligibility to these veterans for home loan programs. Based on discharge dates, it is estimated that approximately 1,900 veterans would

become eligible for the qualified primary mortgage loan program under the substitute. Based on current usage rates and average loan amounts of \$89,150, this would result in almost eight additional loans per year and additional annual expenditures of \$686,600 in bonding revenue.

In addition, the number of veterans eligible for the disenfranchised veterans mortgage loan program would increase. It is estimated that 1,100 disenfranchised veterans have a general or upgraded discharge. With the income limit, approximately 660 veterans would become eligible. Using the loan average of \$64,400, it is estimated that there would be an increase in demand of approximately one loan every two years at an increased cost of \$34,600 annually.

Further, under the substitute, an additional 3,000 qualified and disenfranchised veterans would become eligible for home improvement loans. Of these approximately 1,800 would meet the income requirements. Based on current program usage, costs would increase by \$9,800 annually.

While the substitute would also increase the number of veterans eligible for membership at the King Home, since the Home normally operates at full capacity and the number of beds available are limited by state licensing requirements, it would not be expected to have any fiscal impact on Home operations.

Residency Requirements

Generally, a person who enters military service from another state, then moves to Wisconsin at some time following service and subsequently applies for a state veterans benefit has to document that he or she has lived in the state for at least ten years immediately prior to the date of application. Applicants for veterans housing loans need only have resided in the state for five years immediately prior to the application date. The substitute amendment would provide that all state veterans benefits require only a five-year residency requirement which would include any consecutive five-year period of residency after service, but prior to the application date.

Further, under current law, applicants who enter service from another state must document that they have resided in the state for the required time period (currently five or ten years depending on the program) each time they apply for benefits under a state veterans program. Under the substitute amendment, veterans would have to establish residency only the first time that they apply for state veterans benefits and would always be eligible with regard to any residency requirements thereafter.

U.S. Census data indicate that approximately 50,000 people migrate into Wisconsin annually. DVA officials estimate that approximately 8.4% of Wisconsin residents are wartime veterans. Assuming that the 8.4% average would also apply to people who migrate to Wisconsin, approximately 4,200 wartime veterans move to Wisconsin annually. Based on this, it is estimated that a total of 21,000 veterans would have moved here from six to ten years ago and may be affected by the substitute. Using current usage rates, it is estimated that, the total cost to the

veterans trust fund would be approximately \$188,100 annually of which \$60,200 would be in the form of grant payments and the remaining \$127,900 would be in loans.

The provision that would require veterans to document their residency only the first time they apply for state benefits is expected to have little impact on veterans programs. According to DVA, about one person a year is denied benefits because they could not meet the requirement for subsequent benefits.

The substitute amendment would also expand eligibility to any veteran who, after leaving active duty service and before the application date for a benefit, lived in Wisconsin for a any consecutive five-year period compared to current law which requires residency in a five-year period immediately preceding application. This would apply to all state veterans programs. While this may result in a slight increase in the number of people eligible for DVA programs, no data is available to determine the specific fiscal impact.

Under the substitute amendment, the residency requirement modifications would also apply to eligibility for the Veterans Home at King. However, as mentioned above, since the Home is already essentially operated at full capacity, there would be no direct fiscal impact on the Home.

Tuition and Fee Reimbursement Program

Under current law, veterans who are within six years of separation of service are eligible for reimbursement of 25% (for courses taken after June 30, 1996, the reimbursement rate is 35%) of their tuition and fees for any undergraduate schools in the UW system or any of the state technical college system schools. In addition, eligibility is limited to individuals who served on active duty under other than dishonorable conditions in the U.S. armed forces for two years or more or the full period of the individual's initial service obligation, whichever is less.

The substitute amendment would increase reimbursement from the 35% of tuition and fees that will be provided in 1996-97 to 50%, effective July 1, 1997. The substitute amendment would also modify eligibility for the program to: (1) require that the two years of active duty be continuous service; (2) exclude in calculation of time served, active duty service for training purposes only; (3) require the person to be a resident of the state at the time of application; and (4) provide that, if the applicant was not a Wisconsin resident at the time of entry or reentry into service, the applicant has lived in Wisconsin for any five-year period after completing service on active duty and before the time of application.

Currently, approximately 2,600 veterans are eligible for the tuition reimbursement program. This fall, approximately 1,414 grants were awarded averaging \$283. The Department anticipates total expenditures of \$714,300 this year. DVA officials indicate that the eligibility modifications under the substitute generally codify current administrative practices and would have no fiscal impact on the program.

Under the substitute amendment, the reimbursement level would be increased to 50% of the cost of tuition and fees. Based on current projected costs and an annual 5.5% increase in tuition, the cost would increase to \$1,590,500 or an additional cost to the veterans trust fund of \$477,500 per year beginning in 1997-1998. However, DVA has also indicated that they anticipate a higher program usage in the future. Department officials feel that students and school financial officers may not be aware of the new program and therefore, demand may be artificially low. Any increase in demand would increase costs. Therefore, based on continuing increases in usage over the next few years tuition reimbursement costs at the 50% level would be \$2.4 million in 1997-98, of which \$728,700 would be attributable to the higher reimbursement rate.

It should also be noted that if the reimbursement level is increased, there may also be a shift in use from the part-time study grant program to the tuition reimbursement program. Under current law, veterans, attending school on a part-time basis, can receive up to \$300 per course or \$1,100 per fiscal year for tuition, fees and textbooks. This is currently more than these students would receive under the tuition reimbursement program so these students use the part-time study grant program. If the tuition reimbursement rate were increased, some students may receive more under the tuition reimbursement program so that use in that program may increase and use of the part-time study grant program would decrease. However, the part-time study grant can be used at a larger variety of schools (any public or private accredited college, university or vocational, technical and adult education school), therefore many would continue to use the part-time study grant program. In addition, depending on tuition and fee costs, \$300 per course may still be larger than the 50% reimbursement applicable under the tuition reimbursement. Therefore, it is not possible to estimate the net effect of the substitute amendment at this time.

Eligibility for Dependents of Veterans

The substitute amendment would expand eligibility for veterans trust fund programs to include dependents of deceased "peacetime" veterans who served under honorable conditions and died while in service, provided that the death was not a result of the veteran's willful misconduct. Under current law, certain trust fund benefits available to veterans are also available to unmarried surviving spouses and minor or dependent children of deceased "wartime" veterans. The substitute amendment would extend eligibility for trust fund programs to dependents of veterans who die while on active duty service, regardless of the time which the veteran served.

According to federal DVA data, there are approximately 430 spouses and dependents of veterans who died while on active duty during a "peacetime" period. These people are currently eligible for some federal compensation and benefits. The substitute amendment would allow them to be eligible for state veterans trust fund programs as well. Based on current usage rates, this would cost the trust fund approximately \$3,900 annually of which \$2,600 would be for loans and the remainder would be grant awards.

The substitute amendment would also create an age limit of 26 years for eligibility for state veterans programs for children of deceased veterans who are in full attendance at a recognized

school of instruction. Under current law, dependent children are eligible up to the age of 18, unless they are in school, in which case they are eligible at any age. The substitute amendment would maintain the limit on dependents who are not in school at age 18, and would create an age limit on those who are in school of 26.

DVA officials indicate that this provision could result in a slight decrease in expenses, but would not have a significant impact on Department programs.

Veterans Cemeteries

Under current law, DVA operates a veterans cemetery at the Veterans King Home and has the authority, subject to approval of the Building Commission, to construct and operate two additional state veterans cemeteries, one in southeastern Wisconsin and one in northwestern Wisconsin. The southeastern cemetery has been approved and is expected to begin operation on June 1, 1996. The substitute amendment would exempt state veterans cemeteries from Chapter 157 rules that govern location, ownership, cemetery associations, care and maintenance and reporting and Chapter 440 rules that define and govern cemetery authorities, salespersons and preneed sellers. The veterans cemetery at the King Home is already exempt from these provisions as are most other not-for-profit cemeteries in the state.

In addition, the substitute amendment would modify eligibility for state veterans cemetery sites to include (1) veterans who entered service from Wisconsin and died while on active duty or were discharged from active duty under honorable conditions regardless of whether or not they are residents at the time of death; (2) veterans who entered service from another state and were discharged from active duty under honorable conditions and who were residents of Wisconsin at the time of death; (3) persons who are residents of the state at the time of death and who have 20 years of service in the National Guard or a component of the Reserves; (4) spouses, unremarried surviving spouses and dependent children of eligible veterans; and (5) veterans who were discharged from active duty under honorable conditions and who were residents of the state for at least five consecutive years after completing active duty service.

DVA officials have indicated that number of additional burials as a result of the above eligibility criteria changes would be within the range of annual burials estimated for the southeastern Wisconsin veterans cemetery and therefore, would not be expected to have a fiscal impact on those operations. However, the substitute amendment would affect operations at the King Home cemetery. Under current law, only wartime veterans are eligible for burial. In 1994-95, 67 veterans and 13 spouses and dependents were buried at the King Home. It is difficult to estimate the number of additional burials that would occur under the substitute amendment. DVA estimates that they anticipate a total of eight additional burials annually (six veterans and two spouses). This is based on a 20% increase over the current number of non-King Home members (nonresidents) buried there annually.

DVA indicates that existing staff and resources would be sufficient to handle a modest increase in burials and therefore, no additional costs would result from these provisions. The

Home would receive increased burial fees assumed from each spouse or dependent buried (\$175 per burial) of \$350 annually.

County Veterans Service Officers

The substitute amendment would modify eligibility criteria established for a veteran to serve as a county veterans' service officer (CVSO) to require that such individuals must have served on active duty for two consecutive years, excluding active duty for training purposes. However, individuals who are discharged prior to the completion of their required period of services for reasons of hardship or a service-connected disability or released due to a reduction in the armed forces regardless of actual time served would also be eligible. In addition, wartime service would not be required. Under current law, a veteran must have served on active duty for 90 days or more (excluding active duty for training) during a specified war-time period to be eligible to serve as a CVSO. The same criteria would be applied to assistant CVSOs. The modified eligibility would apply to officers elected only after the effective date of the amendment. Therefore, any current CVSOs would not be affected.

DVA awards grants to counties for maintaining and operating county veterans service offices. The grant is limited to \$5,000 annually for certain counties with full-time county veterans service officers and \$500 annually for counties with part-time officers. The substitute amendment would have no impact on the grant program.

Veterans Benefits Eligibility for Service in Bosnia

The substitute amendment would extend eligibility for state veterans benefits to include any person who served for 90 days or more in support of Operation Balkan Endeavor or served 90 days or more in Austria, Bosnia-Herzegovina, Czech Republic, Croatia, Hungary, Macedonia, Montenegro, Serbia including the autonomous provinces of Kosoco and Vojvodina, Slovakia or Slovenia, or in territorial waters adjacent to any of those countries under all of the following conditions: (1) an active duty order, an involuntary extension of an active duty order or a unit assignment order; (2) honorable conditions; (3) between December 1, 1995, and the ending date of Operation Balkan Endeavor or successor operation, as established by the Department of Veterans Affairs by rule.

Currently, DVA estimates that approximately 500 Wisconsin residents are serving in support of Operation Balkan Endeavor. Of those, currently around 200 are in the national guard or reserves. DVA officials indicate that the national guardsmen and reservists who are currently being called to service are typically called for two-week rotations. Therefore, at this time it would not be expected that extending eligibility for those who serve in Bosnia for at least 90 days would have a significant impact on state veterans programs. However, it is not possible to project the length or future severity of the operation, and therefore, it is not possible to predict how many residents might become eligible for state veterans benefits as a result of these provisions.

Other Provisions Relating to Service in Bosnia

Federal law provides an income tax exclusion for all pay received by persons below the grade of commissioned officer in a combat zone and for up to \$500 per month of pay received by commissioned officers. Under current law, the state follows federal practice and offers the same income tax exclusion. The substitute amendment extends this income tax exclusion to military personnel in a reserve component of the Armed Forces for services performed for Operation Balkan Endeavor and applies during the period of such designated service. In addition, the substitute amendment extends the deadline for filing tax returns for taxpayers that qualify for the federal extension and specifies that interest and penalties would not accrue while the taxpayer is in the Operation Balkan Endeavor theater of operations and for 180 days after the taxpayer leaves the area.

In addition, the substitute amendment would provide preference points for state employment to individuals who serve in support of Operation Balkan Endeavor. Further, under the substitute amendment, group health insurance coverage for state employees who are activated to perform service for Operation Balkan Endeavor could be continued during their absence from work while on active duty service in these areas.

The substitute amendment would also provide that a vehicle's registration or an operator's license would not expire on the date of expiration if the registrant or licensee is on active-duty in the U.S. armed forces and is absent from this state on that date of expiration. If the registration or license is extended under these provisions, it would expire on the date the person returns to this state or 90 days after the person is discharged from active duty, whichever is earlier. Under current law, these registration and license extensions apply only to persons serving in the U.S. armed forces as participants in or in support of Operation Desert Shield or Desert Storm and expire 30 days after the person's military service in that area is completed. Under the substitute, any person who is called to active duty, regardless of whether it is in support of a specific military operation, and is out of the state at the time their license or registration expires, would have their license or registration extended until they return to the state or 90 days after their discharge from service, whichever is earlier. Certain Bosnia veterans would also be eligible for "ex-prisoner of war" special license plates.

The provisions that would extend tax deadlines and exempt certain income from taxation would not be expected to have a significant effect on state revenues. Further, DOT does not anticipate a fiscal impact from the modifications in vehicle registration and license renewals.

It should be noted, that under the substitute amendment as drafted, the extension would expire the day the person returns to the state. The Committee may want to amend this to provide a grace period of 30 days after the person returns to the state before his or her license or registration would have to be renewed. In addition, for the "ex-prisoner of war" license plates, a technical modification is needed to provide that a certification by the federal DVA indicating that the person was an ex-prisoner of war in Bosnia would make that person eligible for the plates.

FISCAL EFFECT

The only appropriation change that is made under the substitute amendment is the creation of a sum sufficient appropriation from the trust fund for the purchase of mortgages issued with the proceeds of a 1981 veterans home loan bond issuance.

The table below summarizes, by funding source, the additional annualized expenditures projected under the substitute amendment. As mentioned before, the veterans trust fund is a segregated fund used to provide state veterans benefits, the primary mortgage loan program for qualified veterans (PMLP-qualified) is funded from proceeds from the sale of revenue bonds and funding for primary mortgage loans for disenfranchised veterans and home improvement loans (PMLP-disenfranchised and HILP) comes from a segregated fund for which revenues are generated from repayments of mortgage loans to qualified veterans.

Estimated Annualized Expenses

<u>Summary by Provision</u>	<u>Veterans Trust Fund</u>	<u>PMLP - Qualified</u>	<u>PMLP- Disenfranchised & HILP</u>
Acquisition of Mortgages	\$0*	\$0	\$0
Discharge Modifications	0	686,600	44,400
Active Duty for Training	0	0	-2,299,600
Residency Requirements	188,100	0	0
Tuition and Fee Reimbursement Program	728,700**	0	0
Dependent Eligibility	3,900	0	0
Ending Date for Vietnam War	0	1,438,000	-125,800
Remove Restrictions on HILP	0	0	77,800
Remove Income Limits on HILP	0	0	949,200
Bosnia Service***	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>
Summary by Funding Source	\$920,700	\$2,124,600	-\$1,354,000

*One-time cost of \$145,000 in 1996-97 for the acquisition of mortgage loans made from the proceeds of a 1981 revenue bond. In addition, a revenue stream of \$60,000 annually would be paid into the trust fund as a result of the acquisition until the loans are paid off.

**The \$728,700 increase in the tuition and fee reimbursement program would not begin until fiscal year 1997-98.

***No estimate available at this time.

NOTE: PMLP means the Primary Mortgage Loan Program.
HILP means the Home Improvement Loan Program.

Additional expenses, under the substitute, are expected to be within 1996-97 appropriation levels for most of the programs with the exception of home improvement loans. However, funds available for these loans are constrained by the amount of proceeds generated from the primary mortgage loan program for qualified veterans, and are typically depleted before the end of the

year under current law. Therefore, while there may be additional demand for these funds under the substitute amendment, there would not likely be any available to satisfy that demand. Further, any reduction in demand for HILP or disenfranchised veterans mortgage loans under the substitute would not result in actual reduction in expenditures. Instead, there would be less demand for the limited funds.

With regard to the overall condition of the veterans trust fund, annual expenditures from the fund typically exceed annual revenues thereby reducing the fund balance each year. However, current projections indicate that the trust fund would be solvent through the year 2001-02 with a supplement of almost \$2.0 million required in 2002-03 if the substitute is adopted. Under current law, there is also expected to be a supplement required in 2002-03, but projected at closer to \$700,000.

Prepared by: Carri Jakel